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March 9, 2001

David Ikari, Chief
Dairy Marketing Branch
California Department of Food & Agriculture
1220 N Street, Room A-224
Sacramento, California 95814

Re: Petition for Hearing to Consider Changes to the California Milk Marketing Stabilization Plans – Class 4(a) Pricing Provisions

Dear Mr. Ikari:

This petition for an emergency hearing to consider changes to the stabilization plans is being filed by Humboldt Creamery Association on behalf of its producer-owners. They are proposing an adjustment in the manufacturing allowance for Class 4(a) necessitated by the dramatic increase in the cost of energy, which has put their investment in Humboldt Creamery, in serious jeopardy.

The revenue from the sales of products Humboldt Creamery manufactures (Ice Cream, Nonfat and Whole Milk Powders) is being shared by all California milk producers. However, the cost of producing those products is not being adequately covered by the current 4(a) make allowance due to the dramatic jump in natural gas and electricity costs.

The Department's 2000 Manufacturing Cost Annual puts utilities at 18 percent (an average of 2.9 cents per pound) of Nonfat Dry Milk processing costs in 1999. In 1999, Humboldt Creamery averaged \$50,000 a month in utilities. By comparison, in 2000, the cost of utilities averaged \$70,000. And, for the first two months of 2001, utilities have averaged \$140,000 per month. That's an increase of 180%, which raises the average cost 3.1 cents per pound of manufacturing over the 1999 average.

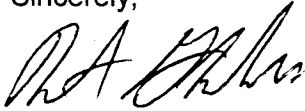
Humboldt Creamery proposes that the cost of utilities, and therefore the change in the 4(a) make allowance, be indexed off the 1999 average 4(a) utility cost. Further, Humboldt Creamery proposes that the Department gather energy cost data from nonfat dry milk and whole milk powder processors monthly and make adjustments to the 4(a) make allowance if the average utility cost for the period is equal to or greater than a quarter of a cent (\$0.0025) when rounded to four decimal places.

By making this change to the stabilization plans, the Department will be spreading the changes in the cost of processing Class 4(a) products due to changes in utility cost just as it spreads the revenues generated by the products Humboldt Creamery produces among producers.

It is critical that the Department grant Humboldt Creamery's request for a hearing on this proposal as soon as possible. Each month our producer-owners are experiencing an erosion of their investment in their equity due to astronomical increases in energy costs.

We look forward to your favorable consideration of this petition for this hearing.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rich Ghilarducci', written in a cursive style.

Rich Ghilarducci
CEO/President

RG/pb

Enclosure:

Stabilization Plan Language Changes

Section 300. (D) The minimum prices to be paid for components used for Class 4(a) shall be computed as follows:

(1) For all milk fat, not less than the price per pound computed by the formula using the simple average of the Grade AA Butter price quotations for the last significant trading action for the sale, offer or bid of Butter at the Chicago Mercantile Exchange, less a freight adjustment of four and five-tenth cents (\$0.045), less a manufacturing cost allowance of nine and seven-tenths (\$0.097), and the result multiplied by a yield factor of 1.2.

(2) For all milk solids-not-fat, not less than the weighted average price per pound for all Grade A and Extra Grade Nonfat Dry Milk for human consumption sold F.O.B. California manufacturing plants for the period beginning the 26th day of the previous month and concluding the 25th day of the current month, as reported by the California Department of Food and Agriculture for the month, less a manufacturing cost allowance of fourteen cents (\$0.14), multiplied by a yield factor of ninety-nine hundredths (\$0.99).

(a) The manufacturing allowance shall be adjusted every six months based on the difference between the utility cost index of \$2.9 cents and the audited average cost of utilities of all plants processing Nonfat Dry Milk Powder or Whole Milk Powder for the most recent available six-month period.

(3) In the event that the Chicago Mercantile Exchange Grade AA Butter price is not available to calculate the current Class 4(a) fat price, pursuant to Subparagraph (D)(1), then used in its place shall be the Butter price used in the prior month's calculation of the Class 4(a) fat price. All other paragraphs that use the Class 4(a) fat price shall operate as if the price had been established pursuant to Subparagraph (D)(1).

(4) In the event that the California Weighted Average Nonfat Dry Milk price is not available to calculate the current Class 4(a) solids-not-fat component price, pursuant to Subparagraph (D)(2), then used in its place shall be the Nonfat Dry Milk price used in the prior month's calculation of the Class 4(a) solids-not-fat price. All other paragraphs that use the Class 4(a) solids-not-fat price shall operate as if the solids-not-fat price had been established pursuant to Subparagraph (D)(2).